

PANGUITCH CITY
FINANCIAL STATEMENTS
JUNE 30, 2006

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	18
STATEMENT OF ACTIVITIES	19
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	20
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS	21
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	22
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND	24
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	25
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	26
NOTES TO FINANCIAL STATEMENTS	27
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
BUDGETARY COMPARISON SCHEDULES:	
GENERAL FUND	49
NOTE A - BUDGETARY COMPARISON SCHEDULE BUDGET-TO-GAAP RECONCILIATION	52
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	54
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	56

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

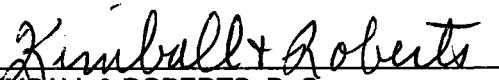
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Panguitch City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Panguitch City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Panguitch City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2006, on our consideration of Panguitch City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and 49 through 52 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 7, 2006
Richfield, Utah

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is used to assist in formatting, for easier reading)

**PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006**

This discussion of Panguitch City's financial performance provided an overview of the City's financial activities for the year ending June 30, 2006. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, culture and recreation, landfill, and economic development.

Financial Highlights

- * The assets of Panguitch City exceeded its liabilities as of the close of the most recent year by \$5,553,612 (net assets). Of this amount, \$693,833 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets decreased by \$37,334. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Panguitch City's governmental fund reported ending fund balance of \$194,988, a increase of \$43,275 in comparison with the prior year. Approximately 94 percent of this total amount, \$184,488 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$184,488, or 17 percent of total general fund expenditures.
- * The City's total debt decreased by \$163,958 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Panguitch City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Panguitch City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006

Both of the government-wide financial statements distinguish functions of Panguitch City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety, highways and public improvements, culture and recreation, and economic development. The business-type activities of the City are water and sewer operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Panguitch City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Panguitch City maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund.

Panguitch City adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with that budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006

Proprietary Funds

Panguitch City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. A combining statement for these three funds is shown elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds which are considered to be a major funds of the City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Panguitch City, assets exceeded liabilities by \$5,553,612 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (86 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$693,833) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities decreased the City's net assets by \$95,316.

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006

Panguitch City's Net Assets

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	230,331	240,529	620,224	548,441	850,555	788,970
Capital Assets	<u>2,470,446</u>	<u>2,635,546</u>	<u>6,482,665</u>	<u>6,634,536</u>	<u>8,953,111</u>	<u>9,270,082</u>
Total Assets	<u>2,700,777</u>	<u>2,876,075</u>	<u>7,102,889</u>	<u>7,182,977</u>	<u>9,803,666</u>	<u>10,059,052</u>
Long-Term Liabilities	754,718	781,940	3,226,078	3,361,481	3,980,796	4,143,421
Other Liabilities	<u>89,821</u>	<u>142,581</u>	<u>179,437</u>	<u>182,104</u>	<u>269,258</u>	<u>324,685</u>
Total Liabilities	<u>844,539</u>	<u>924,521</u>	<u>3,405,515</u>	<u>3,543,585</u>	<u>4,250,054</u>	<u>4,468,106</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	1,703,666	1,817,252	3,121,613	3,093,751	4,825,279	4,911,003
Restricted	10,500	64,308	24,000	39,849	34,500	104,157
Unrestricted	<u>142,072</u>	<u>69,994</u>	<u>551,761</u>	<u>505,792</u>	<u>693,833</u>	<u>575,786</u>
Total Net Assets	<u>1,856,238</u>	<u>1,951,554</u>	<u>3,697,374</u>	<u>3,639,392</u>	<u>5,553,612</u>	<u>5,590,946</u>

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006

Panguitch City's Changes in Net Assets

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	287,223	256,212	536,128	519,141	823,351	775,353
Operating Grants	245,650	204,405			245,650	204,405
Capital Grants	32,000	1,153,475	-	8,538	617,000	617,000
General Revenues:						
Property Taxes	133,590	127,366	-	-	133,590	127,366
Other Taxes	440,477	404,570	-	-	440,477	404,570
Sale of Property	-	19,540	-	-	-	19,540
Unrestricted Investment Earnings	20,375	11,557	10,331	4,051	30,706	15,608
Total Revenues	1,159,315	2,177,125	546,459	531,730	2,290,774	2,163,842
Expenses:						
General Government	183,759	200,068	-	-	183,759	200,068
Public Safety	162,716	200,215	-	-	162,716	200,215
Highways and Public Improvements	79,875	213,751	-	-	-	213,751
Culture and Recreation	608,223	416,309	-	-	608,223	416,309
Economic Dev. & Airport	171,100	154,013	-	-	171,100	154,013
Landfill	8,016	8,020			8,016	8,020
Interest on Long-Term Debt	40,942	36,237	109,117	117,033	150,059	153,270
Water, Sewer & Secondary	-	-	379,360	378,946	379,360	378,946
Total Expenses	1,254,631	1,228,613	488,477	495,979	1,663,233	1,724,592
Increase in Net Assets Before Transfers	(95,316)	948,512	57,982	35,751	627,541	439,250
Transfers	-	-	-	-	-	-
Increase in Net Assets	(95,316)	948,512	57,982	35,751	(37,334)	984,263
Net Assets - Beginning	1,951,554	1,003,042	3,639,392	3,603,641	5,590,946	4,606,683
Total Net Assets	1,856,238	1,951,554	3,697,374	3,639,392	5,553,612	5,590,946

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006

Business-Type Activities

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities increased the City's net assets by \$57,982 accounting for 100 percent of the total increase in the government's net assets. Key elements of this increase are as follows:

- * The increase in costs in the water fund was attributable to the cost of wages, materials and the increase in depreciation expense.
- * The revenues met or exceeded the adopted budget amounts, and expenses were less than the adopted budget amounts.
- * The depreciation in the water fund increased due to the new water improvements completed in the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Panguitch City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the City's governmental fund reported ending fund balances of \$194,988 a increase of \$43,275 in comparison with the prior year. Approximately 95 percent of this amount, \$184,488 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to Class C Road Funds for \$4,000, and landfill for \$6,500.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$184,488, while total fund balance reached \$194,988. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17 percent of total general fund expenditures, while total fund balance represents 18 percent of that same amount.

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006

Proprietary Funds

The City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water and sewer funds at the end of the year were \$551,761. Other factors concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of \$316,993 can be briefly summarized as follows:

- * \$21,600 increase in general government.
- * \$41,000 increase in public safety.
- * \$10,000 decrease in highways and public improvements.
- * \$183,000 increase in culture and recreation.
- * \$81,393 increase in economic development and airport.
- * \$0 increase in landfill.

Of this increase, \$102,910 was funded out of prior year unreserved fund balance. During the year, however, actual revenues were less than budgeted revenues by \$96,878 and actual expenditures were less than budgeted expenditures by \$140,153 resulting in a net increase in fund balance of \$43,275.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2006, was \$2,470,446 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, sidewalks, and curb and gutter.

The total increase in the City's investment in capital assets for the current year was \$59,818.

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006

Capital Assets (Continued)

Panguitch City's Capital Assets
(net of depreciation)

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
Land	89,625	89,625	220,000	220,000	309,625	309,625
Infrastructure	345,992	365,214	-	-	345,992	365,214
Buildings	527,300	568,967	-	-	527,300	568,967
Improvements Other than Buildings	1,373,251	1,480,797	6,249,565	4,972,789	7,622,816	6,453,586
Equipment	134,278	130,943	13,100	16,217	147,378	147,160
Construction in Progress	-	-	-	1,425,530	-	1,425,530
Total	2,470,446	2,635,546	6,482,665	6,634,536	8,953,111	9,270,082

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the City had total debt outstanding of \$4,127,832. The debt represents revenue bonds.

Panguitch City's Long-Term Debt

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
Long-Term Debt	766,780	794,394	3,361,052	3,497,396	4,127,832	4,291,790

State statutes limit the amount of general obligation debt a governmental entity may issue up to 12 percent of its total fair market value of taxable property in the City which is approximately \$60,000,000. The City has \$3,056,759 of general obligation debt.

Additional information on the City's long-term debt can be found in the notes of the financial statements.

**PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006**

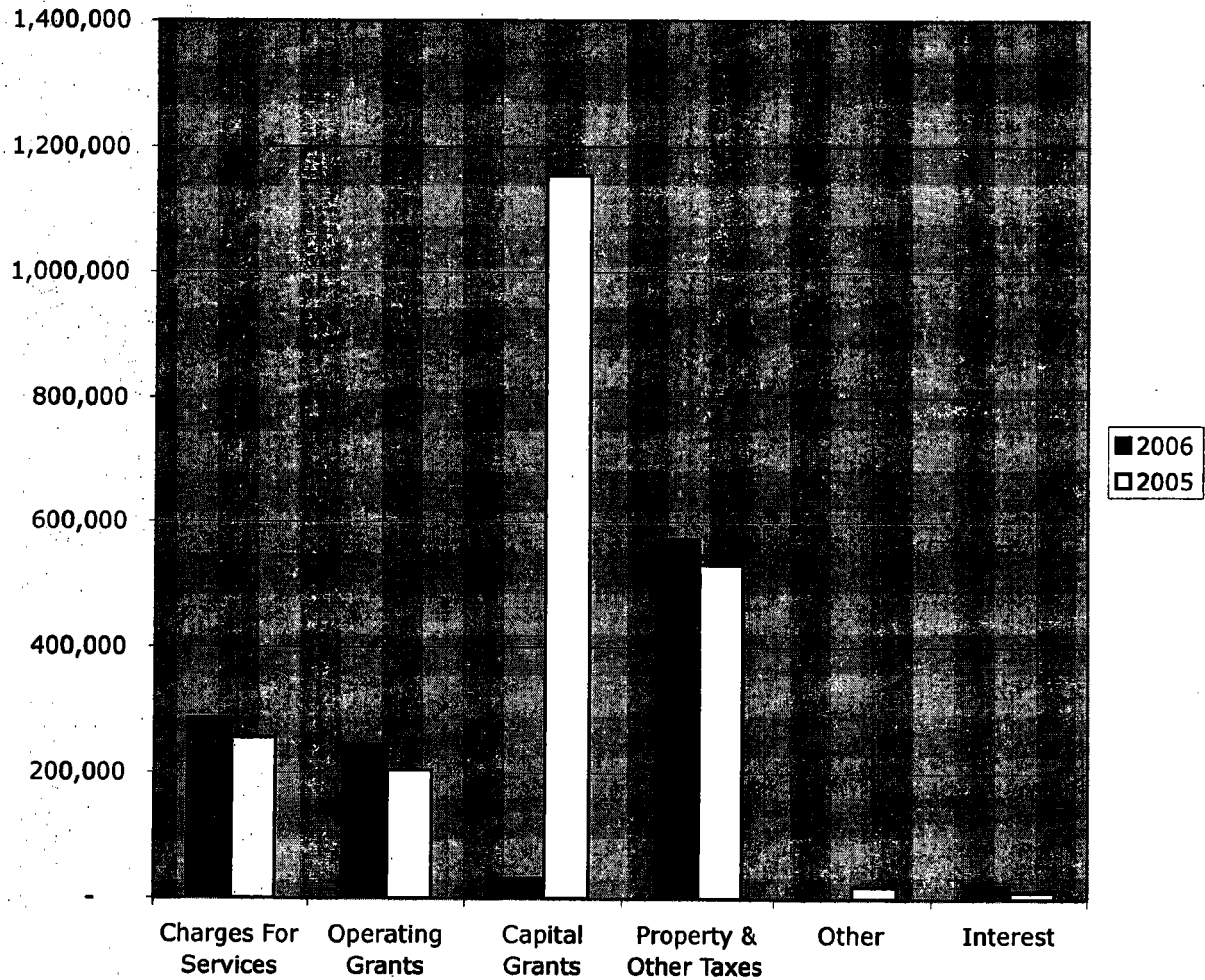
Request for Information

This financial report is designed to provide a general overview of Panguitch City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Panguitch City Recorder, P.O. Box 75, Panguitch, Utah, 84759-0075.

Panguitch City
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

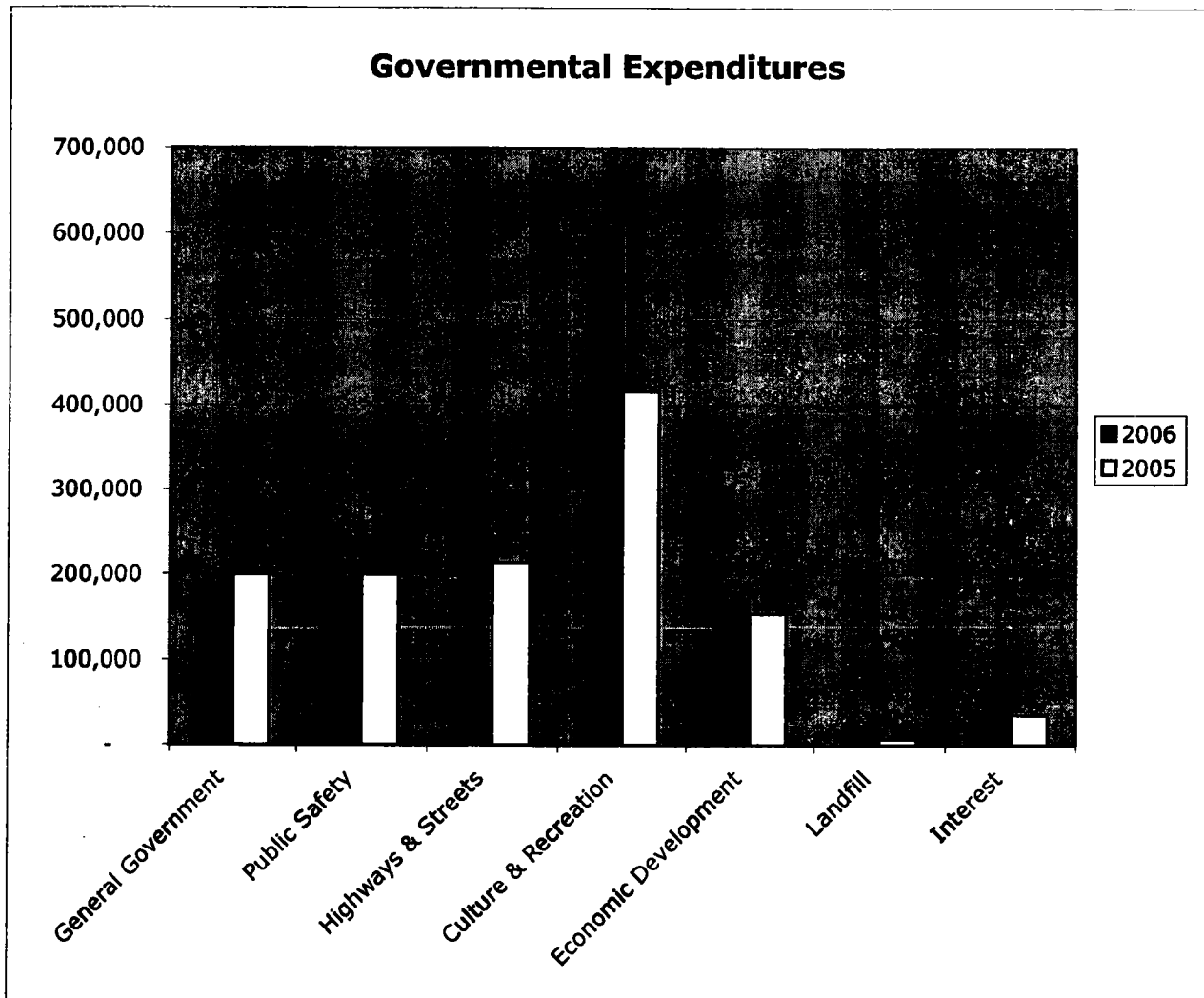
	2006	2005
Charges For Services	287,223	256,212
Operating Grants	245,650	204,405
Capital Grants	32,000	1,153,475
Property & Other Taxes	574,067	531,936
Other	-	19,540
Interest	20,375	11,557
Total Revenues	1,159,315	2,177,125

Governmental Revenues



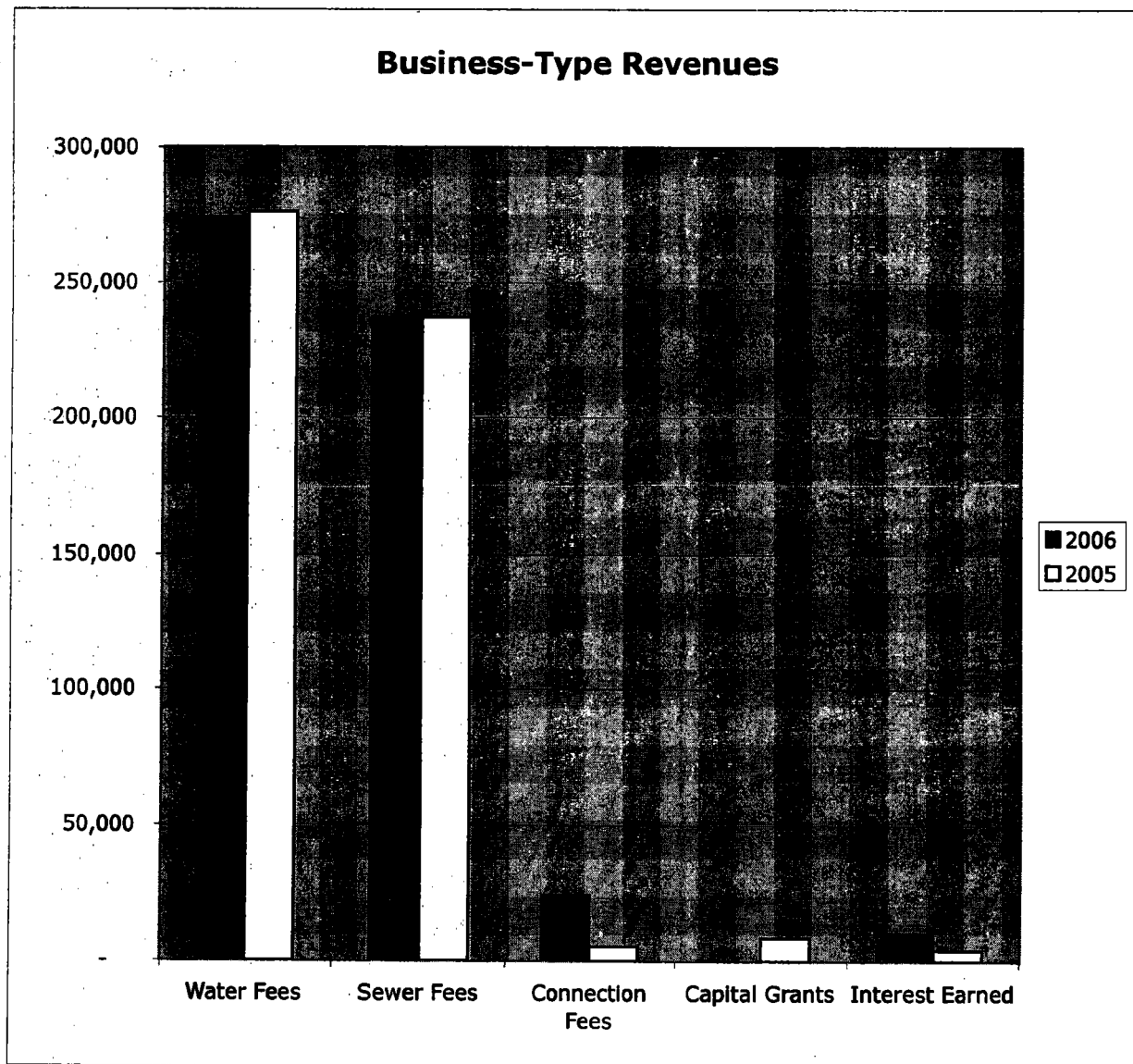
Panguitch City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
General Government	183,759	200,068
Public Safety	162,716	200,215
Highways & Streets	79,875	213,751
Culture & Recreation	608,223	416,309
Economic Development	171,100	154,013
Landfill	8,016	8,020
Interest	40,942	36,237
Total Expenditures	1,254,631	1,228,613



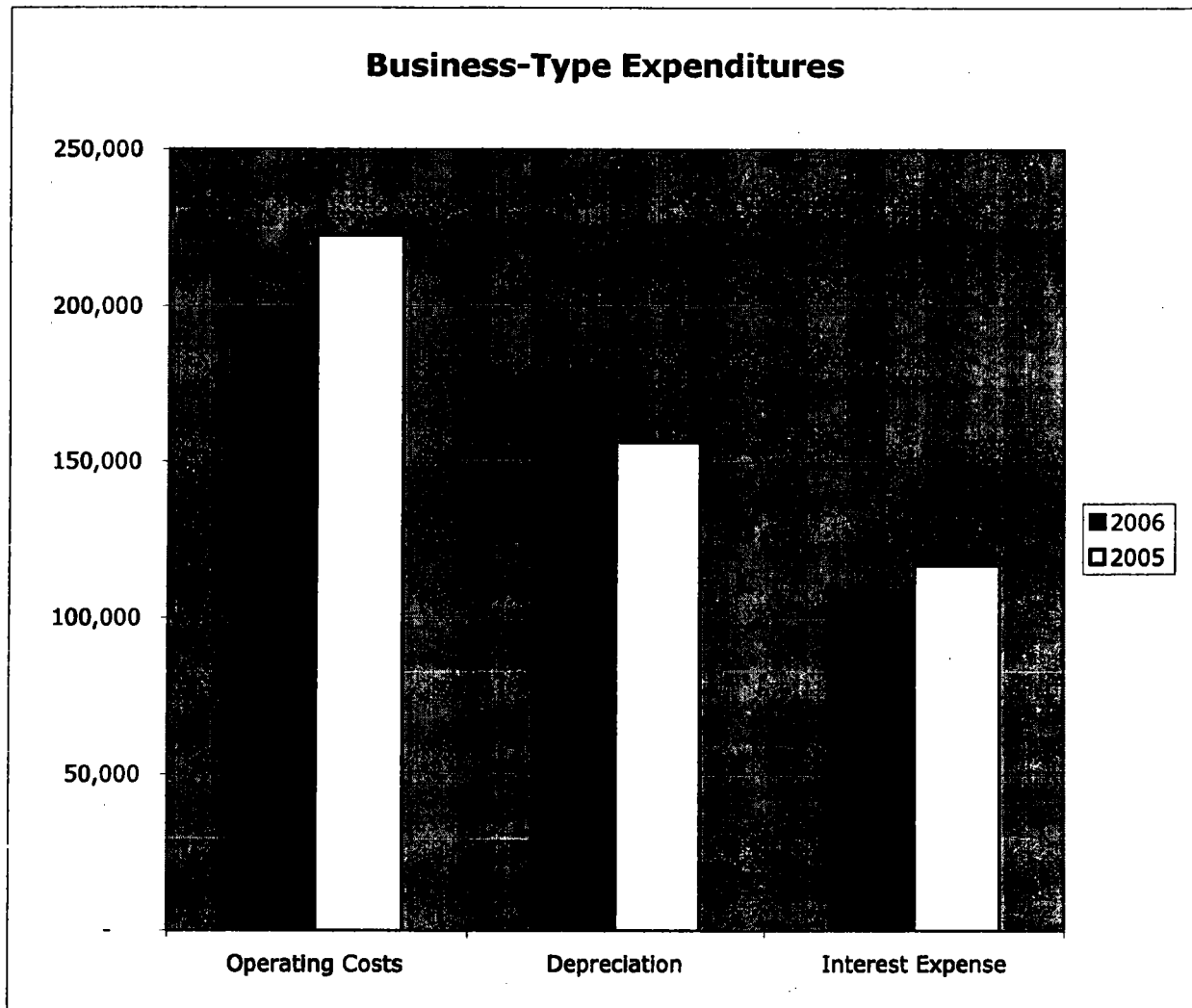
**Panguitch City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
Water Fees	274,333	276,447
Sewer Fees	237,215	237,294
Connection Fees	24,580	5,400
Capital Grants	-	8,538
Interest Earned	10,331	4,051
Total Revenues	546,459	531,730



Pangultch City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Operating Costs	199,671	222,711
Depreciation	179,689	156,235
Interest Expense	109,117	117,033
Total Expenditures	488,477	495,979



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BASIC FINANCIAL STATEMENTS

**PANGUITCH CITY
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	165,624	483,759	649,383
Accounts Receivable (Net)	-	60,440	60,440
Note Receivable	-	3,000	3,000
Due From Other Government Units	60,707	-	60,707
Total Current Assets	226,331	547,199	773,530
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	4,000	24,000	28,000
Note Receivable	-	49,025	49,025
Capital Assets (Net of Accumulated Depreciation):			
Land	89,625	220,000	309,625
Buildings	527,300	-	527,300
Improvements Other Than Buildings	1,373,251	-	1,373,251
Equipment	134,278	13,100	147,378
Water System	-	2,149,515	2,149,515
Sewer System	-	4,100,050	4,100,050
Infrastructure	345,992	-	345,992
Total Noncurrent Assets	2,474,446	6,555,690	9,030,136
TOTAL ASSETS	2,700,777	7,102,889	9,803,666
LIABILITIES			
Current Liabilities:			
Accounts Payable	31,997	-	31,997
Accrued Liabilities	3,346	-	3,346
Deposits Payable	-	3,550	3,550
Bond Interest Payable	23,200	40,913	64,113
Bonds Payable - Due Within One Year	31,278	134,974	166,252
Total Current Liabilities	89,821	179,437	269,258
Noncurrent Liabilities:			
Bonds Payable - Due More Than One Year	735,502	3,226,078	3,961,580
Compensated Absences	19,216	-	19,216
Total Noncurrent Liabilities	754,718	3,226,078	3,980,796
TOTAL LIABILITIES	844,539	3,405,515	4,250,054
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	1,703,666	3,121,613	4,825,279
Restricted For:			
Bond Retirement	-	24,000	24,000
Class C Roads	4,000	-	4,000
Landfill Closure Costs	6,500	-	6,500
Unrestricted	142,072	551,761	693,833
TOTAL NET ASSETS	1,856,238	3,697,374	5,553,612
TOTAL LIABILITIES AND NET ASSETS	2,700,777	7,102,889	9,803,666

The notes to the financial statements are an integral part of this statement.

**PANGUITCH CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs Primary Government:	Program Revenues				Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental	Business-Type	Total
					Activities	Activities	
Governmental Activities:							
General Government	183,759	66,269	-	-	(117,490)	-	(117,490)
Public Safety	162,716	-	48,748	32,000	(81,968)	-	(81,968)
Highways and Public Improvements	79,875	-	74,691	-	(5,184)	-	(5,184)
Culture and Recreation	608,223	220,954	122,211	-	(265,058)	-	(265,058)
Economic Development and Airport	171,100	-	-	-	(171,100)	-	(171,100)
Landfill	8,016	-	-	-	(8,016)	-	(8,016)
Interest on Long-Term Debt	40,942	-	-	-	(40,942)	(109,117)	(150,059)
Total Governmental Activities	1,254,631	287,223	245,650	32,000	(689,758)	(109,117)	(798,875)
Business-Type Activities:							
Water Fund	172,206	286,913	-	-	-	114,707	114,707
Sewer Fund	207,154	249,215	-	-	-	42,061	42,061
Total Business-Type Activities	379,360	536,128	-	-	-	156,768	156,768
Total Primary Government	1,633,991	823,351	245,650	32,000	(689,758)	47,651	(642,107)
General Revenues:							
Property Taxes					133,590	-	133,590
Fee-In-Lieu of Property Taxes					30,601	-	30,601
Other Taxes					409,876	-	409,876
Unrestricted Investment Earnings					20,375	10,331	30,706
Total General Revenues and Transfers					594,442	10,331	604,773
Change in Net Assets					(95,316)	57,982	(37,334)
Net Assets - Beginning					1,951,554	3,639,392	5,590,946
Net Assets - Ending					1,856,238	3,697,374	5,553,612

The notes to the financial statements are an integral part of this statement.

**PANGUITCH CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	169,624
Due From Other Government Units	<u>60,707</u>
TOTAL ASSETS	<u><u>230,331</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	31,997
Accrued Liabilities	<u>3,346</u>
Total Liabilities	<u>35,343</u>
Fund Balances:	
Reserved For:	
Landfill Closure Costs	6,500
Class C Roads	4,000
Unreserved, Reported In:	
General Fund	<u>184,488</u>
Total Fund Balance	<u>194,988</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>230,331</u></u>

The notes to the financial statements are an integral part of this statement.

PANGUITCH CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	194,988
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	89,625
Buildings	527,300
Improvements	1,373,251
Equipment	134,278
Infrastructure	<u>345,992</u>

Total	2,470,446
-------	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Bonds Payable	(766,780)
Bond Interest Payable	(23,200)
Compensated Absences	<u>(19,216)</u>

Total	<u>(809,196)</u>
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Net Assets of Government Activities	<u><u>1,856,238</u></u>
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PANGUITCH CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>
Revenues:	
Taxes	574,067
Licenses and Permits	5,400
Intergovernmental Revenue	245,650
Charges for Services	25,056
Fines and Forfeitures	220,954
Interest	20,375
Miscellaneous Revenues	<u>35,813</u>
Total Revenues	<u>1,127,315</u>
Expenditures:	
Current:	
General Government	171,954
Public Safety	123,832
Highways and Public Improvements	57,133
Landfill	7,849
Culture and Recreation	590,996
Other	63,720
Debt Service:	
Principal	27,614
Interest	<u>40,942</u>
Total Expenditures	<u>1,084,040</u>
Net Change In Fund Balance	43,275
Fund Balance - Beginning	<u>151,713</u>
Fund Balance - Ending	<u><u>194,988</u></u>

The notes to the financial statements are an integral part of this statement.

PANGUITCH CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	43,275
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	32,000	
Depreciation Expense	<u>(197,100)</u>	
Total		(165,100)

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Bond Interest	700	
Bond Principal	<u>27,614</u>	
Total		28,314

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	<u>(1,805)</u>
Changes In Net Assets of Governmental Activities	<u><u>(95,316)</u></u>

**PANGUITCH CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	404,741	79,018	483,759
Accounts Receivable	32,228	28,212	60,440
Contracts Receivable	3,000	-	3,000
Total Current Assets	<u>439,969</u>	<u>107,230</u>	<u>547,199</u>
Noncurrent Assets:			
Investments - Restricted:			
Bond Retirement	24,000	-	24,000
Contracts Receivable	49,025	-	49,025
Capital Assets: (Net of Accum. Depr.)			
Land	40,000	180,000	220,000
Water System	2,149,515	-	2,149,515
Sewer System	-	4,100,050	4,100,050
Equipment	3,452	9,648	13,100
Total Noncurrent Assets	<u>2,265,992</u>	<u>4,289,698</u>	<u>6,555,690</u>
TOTAL ASSETS	<u><u>2,705,961</u></u>	<u><u>4,396,928</u></u>	<u><u>7,102,889</u></u>
LIABILITIES:			
Current Liabilities:			
Deposits Payable	3,550	-	3,550
Bond Interest Payable	15,888	25,025	40,913
Bonds Payable - Current Portion	42,808	92,166	134,974
Total Current Liabilities	<u>62,246</u>	<u>117,191</u>	<u>179,437</u>
Noncurrent Liabilities:			
Bonds Payable - Long-Term Portion	951,365	2,274,713	3,226,078
TOTAL LIABILITIES	<u>1,013,611</u>	<u>2,391,904</u>	<u>3,405,515</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,198,794	1,922,819	3,121,613
Restricted for:			
Bond Retirement	24,000	-	24,000
Unrestricted	469,556	82,205	551,761
TOTAL NET ASSETS	<u>1,692,350</u>	<u>2,005,024</u>	<u>3,697,374</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,705,961</u></u>	<u><u>4,396,928</u></u>	<u><u>7,102,889</u></u>

The notes to the financial statements are an integral part of this statement.

PANGUITCH CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for Sales and Services:			
Water	248,152	-	248,152
Sewer	-	237,215	237,215
Water Connection Fees	12,580	12,000	24,580
Other	26,181	-	26,181
 Total Operating Revenues	<u>286,913</u>	<u>249,215</u>	<u>536,128</u>
 Operating Expenses:			
Salaries	40,861	27,979	68,840
Fringe Benefits	22,525	23,264	45,789
Materials and Supplies	29,106	9,473	38,579
Utilities	5,278	4,575	9,853
Insurance	4,995	-	4,995
Professional and Technical	10,389	-	10,389
Other	13,568	7,658	21,226
Depreciation	45,484	134,205	179,689
 Total Operating Expenses	<u>172,206</u>	<u>207,154</u>	<u>379,360</u>
 Operating Income	<u>114,707</u>	<u>42,061</u>	<u>156,768</u>
 Nonoperating Revenues (Expenses):			
Investment Earnings	10,331	-	10,331
Interest Expense	(34,691)	(74,426)	(109,117)
 Total Nonoperating Revenues (Expenses)	<u>(24,360)</u>	<u>(74,426)</u>	<u>(98,786)</u>
 Change in Net Assets	90,347	(32,365)	57,982
 Total Net Assets - Beginning	<u>1,602,003</u>	<u>2,037,389</u>	<u>3,639,392</u>
 Total Net Assets - Ending	<u>1,692,350</u>	<u>2,005,024</u>	<u>3,697,374</u>

The notes to the financial statements are an integral part of this statement.

**PANGUITCH CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund		
	Water Fund	Sewer Fund	Totals
Cash Flows From Operating Activities:			
Receipts From Customers	294,296	251,636	545,932
Payments to Suppliers	(85,111)	(44,970)	(130,081)
Payments to Employees	(40,861)	(27,979)	(68,840)
Net Cash Provided by Operating Activities	168,324	178,687	347,011
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(45,639)	(90,705)	(136,344)
Interest Paid on Capital Debt	(35,462)	(76,131)	(111,593)
Net Cash Provided (Used) by Capital and Related Financing Activities	(81,101)	(166,836)	(247,937)
Cash Flows from Investing Activities:			
Interest Received	10,331	-	10,331
Construction In Progress	(27,818)	-	(27,818)
Net Cash Provided (Used) by Investing Activities	(17,487)	-	(17,487)
Net Increase (Decrease) in Cash and Cash Equivalents	69,736	11,851	81,587
Cash and Cash Equivalents - Beginning	359,005	67,167	426,172
Cash and Cash Equivalents - Ending	428,741	79,018	507,759
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	114,707	42,061	156,768
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:			
Depreciation	45,484	134,205	179,689
Increase (Decrease) in Operating Assets:			
Accounts Receivable	7,383	2,421	9,804
Deposits Payable	750	-	750
Total Adjustments	53,617	136,626	190,243
Net Cash Provided (Used) by Operating Activities	168,324	178,687	347,011

The notes to the financial statements are an integral part of this statement.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Panguitch City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Panguitch City is a municipal corporation in Garfield County, Utah. It is governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Panguitch City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Panguitch City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water and sewer operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	40 Years
Machinery and Equipment	10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes:

Property taxes are assessed and collected for the City by Garfield County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the City's deposits was \$516,773 and the bank balances were \$557,871. Of the bank balance, \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	516,773
Investments - PTIF	<u>160,610</u>
Total Cash and Investments	<u><u>677,383</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	165,624
Governmental Activities - Restricted	4,000
Business-Type Activities - Unrestricted	483,759
Business-Type Activities - Restricted	<u>24,000</u>
Total Cash and Cash Equivalents	<u><u>677,383</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$457,871 of the local government's bank balances of \$557,871 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

**PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

For the year ended June 30, 2006, the local governments has investments of \$160,610 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

Utility Long-Term Debt - Water Fund:

The 1982 Irrigation Water Revenue Bonds require two bond reserve accounts. The reserve fund requires monthly deposits of \$55 to a maximum of \$5,300. The emergency repair and replacement reserve fund requires a deposit of \$29 per month to a maximum of \$2,800. The balance of the reserves at June 30, 2006, was the full amount of \$8,100. The bond also requires the City to deposit into a sinking fund amounts sufficient to make the annual bond payment. At June 30, 2006, the sinking fund balance was \$15,900.

The balance of all reserves in the water fund at June 30, 2006, was \$24,000.

NOTE 4 - MUNICIPAL SOLID WASTE CLASS IV LANDFILL - CLOSURE AND POSTCLOSURE

Closure activities at the Panguitch Class IV Landfill will be performed on an ongoing basis. When a portion of the landfill attains final elevation, and sufficient working area exists to place final cover, closure operations will be initiated. Closure operations will consist of leveling, contouring, placement of appropriate covers and seeding as necessary to reduce infiltration and preserve the integrity of the completed areas of the landfill.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 4 - MUNICIPAL SOLID WASTE CLASS IV LANDFILL - CLOSURE AND POSTCLOSURE (CONTINUED)

Site capacity for the entire landfill cannot be accurately estimated. Assuming the initial 10 acre parcel, waste volumes can be estimated at 264,000 cubic yards or 118,800 tons. Capacity used as of June 30, 2006, was estimated to be approximately 8,000 ton.

Closure costs are estimated using projections for a third party to perform the work and considering the largest area of the disposal facility requiring final cover during the operating period. Cover operations consisted of 20 hours of equipment time and include seeding and inspection. Closure costs are estimated at \$10,000. The City began accepting waste at the landfill in mid 1996.

Post-closure care of inactive sections of the landfill will consist of maintaining the integrity of the final and vegetative covers. Any areas subject to erosion will also be corrected and appropriate measures will be implemented to identify and eliminate the source. Groundwater monitoring, leachate collection, and gas collection are not proposed for the Panguitch Class IV Landfill. Therefore, closure and post-closure activities associated with these functions will not be performed.

A financial assurance plan has been developed by the Panguitch Class IV Landfill and consists of insuring that sufficient funding is available within 5 years of initial solid waste receipt for the closure of the largest area of the landfill that is active at any time. The City is required by State and Federal laws and regulations to make annual contributions to a trust account to finance closure and postclosure costs. Cost estimates were developed considering a third party performing the work.

Annual payments of \$500 are required to be placed in a dedicated escrow/capital improvement account. Money deposited in this trust account will be used exclusively for closure, postclosure care and corrective action. The fund will be evaluated on an annual basis and may be increased as needed by resolution.

The City has funded this account with \$6,500. The account is fully funded.

NOTE 5 - NOTE RECEIVABLE - WEST PANGUITCH IRRIGATION COMPANY

In December of 1984, the West Valley Irrigation Company signed a note with the City for \$77,676.64 and agreed to pay the City \$4,450.52 in December of each year including interest at 5%. The City had extended the secondary water system to West Panguitch and this note represents the cost of the system to West Panguitch Irrigation Company. The balance of the note at June 30, 2006, was \$52,025.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	17,625	-	-	17,625
Land Related to Infrastructure	<u>72,000</u>	<u>-</u>	<u>-</u>	<u>72,000</u>
Total Capital Assets Not Being Depreciated	<u>89,625</u>	<u>-</u>	<u>-</u>	<u>89,625</u>
Capital Assets Being Depreciated:				
Buildings	1,375,000	-	-	1,375,000
Improvements Other Than Bldgs	3,411,400	-	-	3,411,400
Equipment	356,450	32,000	-	388,450
Infrastructure	<u>576,654</u>	<u>-</u>	<u>-</u>	<u>576,654</u>
Total Capital Assets Being Depreciated	<u>5,719,504</u>	<u>32,000</u>	<u>-</u>	<u>5,751,504</u>
Less Accumulated Depreciation For:				
Buildings	806,033	41,667	-	847,700
Improvements Other Than Bldgs	1,930,603	107,546	-	2,038,149
Equipment	225,507	28,665	-	254,172
Infrastructure	<u>211,440</u>	<u>19,222</u>	<u>-</u>	<u>230,662</u>
Total Accumulated Depreciation	<u>3,173,583</u>	<u>197,100</u>	<u>-</u>	<u>3,370,683</u>
Total Capital Assets Being Depreciated (Net)	<u>2,545,921</u>	<u>(165,100)</u>	<u>-</u>	<u>2,380,821</u>
Governmental Activities Capital Assets, Net	<u>2,635,546</u>	<u>(165,100)</u>	<u>-</u>	<u>2,470,446</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	220,000	-	-	220,000
Construction In Progress	<u>1,425,530</u>	<u>27,818</u>	<u>1,453,348</u>	<u>-</u>
 Total Capital Assets Not Being Depreciated	 <u>1,645,530</u>	 <u>27,818</u>	 <u>1,453,348</u>	 <u>220,000</u>
Capital Assets Being Depreciated:				
Equipment	80,329	-	-	80,329
Water System	1,205,927	1,453,348	-	2,659,275
Sewer System	<u>5,290,000</u>	<u>-</u>	<u>-</u>	<u>5,290,000</u>
 Total Capital Assets Being Depreciated	 <u>6,576,256</u>	 <u>1,453,348</u>	 <u>-</u>	 <u>8,029,604</u>
Less Accumulated Depreciation For:				
Equipment	64,112	3,117	-	67,229
Water System	465,438	44,322	-	509,760
Sewer System	<u>1,057,700</u>	<u>132,250</u>	<u>-</u>	<u>1,189,950</u>
 Total Accumulated Depreciation	 <u>1,587,250</u>	 <u>179,689</u>	 <u>-</u>	 <u>1,766,939</u>
 Total Capital Assets Being Depreciated (Net)	 <u>4,989,006</u>	 <u>1,273,659</u>	 <u>-</u>	 <u>6,262,665</u>
 Business Type Activities Capital Assets, Net	 <u>6,634,536</u>	 <u>1,301,477</u>	 <u>1,453,348</u>	 <u>6,482,665</u>
 Total Capital Assets	 <u><u>9,270,082</u></u>	 <u><u>1,136,377</u></u>	 <u><u>1,453,348</u></u>	 <u><u>8,953,111</u></u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business Type Activities	Total
General Government	10,000	-	10,000
Public Safety	38,884	-	38,884
Public Health	-	179,689	179,689
Highways and Public Improvements	22,742	-	22,742
Parks and Recreation	17,927	-	17,927
Landfill	167	-	167
Economic Development	107,380	-	107,380
Total Depreciation Expense	<u>197,100</u>	<u>179,689</u>	<u>376,789</u>

NOTE 7 - LONG TERM DEBT

Utility Long-Term Debt:

Water System:

Irrigation Water Revenue Bond:

In September of 1982 Panguitch City issued Irrigation Water Revenue Bonds in the amount of \$550,000. The bonds bear an interest rate of 5% and requires yearly payments of approximately \$33,000 including interest. The principal balance at June 30, 2006, was \$350,173.

The following is a summary of debt service to maturity:

	Principal	Interest	Total
2006/2007	14,808	17,509	32,317
2007/2008	15,548	16,769	32,317
2008/2009	16,326	15,991	32,317
2009/2010	17,142	15,175	32,317
2010/2011	18,000	14,317	32,317
2012/2016	104,429	57,156	161,585
2017/2021	133,283	28,302	161,585
2022/2026	30,637	1,680	32,317
	<u>350,173</u>	<u>166,899</u>	<u>517,072</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG TERM DEBT (CONTINUED)

Subordinated Water Revenue Bonds:

During 1991, Panguitch City issued \$320,000 in subordinated water revenue bonds for the purpose of improving and upgrading their water system. However, the City did not require the use of all of these funds for the project. Therefore, during 1992 the City applied \$168,464 of these monies to the bonded indebtedness. This bond was paid in full during the year.

Parity Water Revenue Bonds:

During 2003 the City obtained financing for the purpose of providing funds to finance all or part of the cost of acquiring, constructing, improving and extending the culinary water system of Panguitch City. The estimated cost of the project was \$1,453,348 and was financed as follows:

Utah Drinking Water Board Loan	872,000
CUP Grant	300,000
CDBG Grant	150,000
Rural Development Fund Board Grant	75,000
City Funds	<u>56,348</u>
Total	<u><u>1,453,348</u></u>

Construction began during 2003 and the project was completed during 2005.

Panguitch City has agreed to pay up to \$872,000 for this Bond, but the Utah Drinking Water Board has agreed to forgive and relieve the City of the obligation in an amount up to One Hundred Seventy-Four Thousand Dollars (\$174,000) or 20% of the amount paid so that the maximum principal amount of this bond shall not exceed Six Hundred Ninety-Eight Thousand Dollars (\$698,000) and accordingly, 20% of each incremental advance payment received from the Board shall be deemed to be debt forgiveness proceeds and 80% of each payment shall be deemed principal. The bond carries an interest rate of 2.71%. The principal balance at June 30, 2006, was \$644,000.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/2007	28,000	17,452	45,452
2007/2008	29,000	16,694	45,694
2008/2009	30,000	15,908	45,908
2009/2010	31,000	15,095	46,095
2010/2011	31,000	14,255	45,255
2012/2016	170,000	58,130	228,130
2017/2021	195,000	33,740	228,740
2022/2026	130,000	7,128	137,128
	<u>644,000</u>	<u>178,402</u>	<u>822,402</u>

Sewer System:

General Obligation Sewer Bond, Series 1995A:

Panguitch City issued \$753,000 of General Obligation Sewer Bonds interest free to Utah State Department of Water Quality in 1998. Bond principal balance at June 30, 2006, was \$456,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/2007	38,000	-	38,000
2007/2008	38,000	-	38,000
2008/2009	38,000	-	38,000
2009/2010	38,000	-	38,000
2010/2011	38,000	-	38,000
2012/2016	190,000	-	190,000
2017/2021	76,000	-	76,000
	<u>456,000</u>	<u>-</u>	<u>456,000</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG TERM DEBT (CONTINUED)

General Obligation Sewer Bond, Series 1995B:

Panguitch City issued \$1,000,000 of General Obligation Sewer Revenue Bonds to the Community Impact Board at 3% per annum. Repayment is over a 25 year period in annual installments. Bond principal balance at June 30, 2006, was \$756,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/2007	35,000	22,680	57,680
2007/2008	36,000	21,630	57,630
2008/2009	37,000	20,550	57,550
2009/2010	38,000	18,440	56,440
2010/2011	39,000	18,300	57,300
2012/2016	213,000	73,260	286,260
2017/2021	248,000	39,270	287,270
2022/2026	110,000	4,980	114,980
	<u>756,000</u>	<u>219,110</u>	<u>975,110</u>

General Obligation Sewer Bond, Series 1996C:

On April 30, 1996, the City of Panguitch authorized \$1,300,000 of General Obligation Sewer Bonds. Farmers Home Administration purchased these bonds at 4.5% per annum. They will be repaid over 40 years. Bond principal balance at June 30, 2006, was \$1,154,879.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/2007	19,166	51,970	71,136
2007/2008	20,029	51,107	71,136
2008/2009	20,930	50,206	71,136
2009/2010	21,872	49,264	71,136
2010/2011	22,856	48,280	71,136
2012/2016	130,668	225,012	355,680
2017/2021	162,835	190,845	353,680
2022/2026	249,146	152,758	401,904
2027/2031	264,257	102,802	367,059
2032/2036	243,120	38,106	281,226
	<u>1,154,879</u>	<u>960,350</u>	<u>2,115,229</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in utility bonds payable at June 30, 2006:

Bond Issue:	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Water System:							
Secondary Water System Revenue Bonds	1983	5%	550,000	364,276	-	14,103	350,173
Subordinated Water Revenue Bonds	1991	5%	320,000	4,536	-	4,536	-
Parity Water Revenue Bonds	2003	2.71%	872,000	671,000	-	27,000	644,000
Total Water System			1,742,000	1,039,812	-	45,639	994,173
Sewer System:							
Water Quality General Obligation Bonds	1996	0%	753,000	494,000	-	38,000	456,000
CIB General Obligation Bonds	1996	3%	1,000,000	790,000	-	34,000	756,000
RDA General Obligation Bonds	1996	4.50%	1,300,000	1,173,584	-	18,705	1,154,879
Total Sewer System			3,053,000	2,457,584	-	90,705	2,366,879
Total Bond Issues			4,795,000	3,497,396	-	136,344	3,361,052

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG TERM DEBT (CONTINUED)

The following is a summary of debt service to maturity on all utility bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/2007	134,974	109,611	244,585
2007/2008	138,577	106,199	244,776
2008/2009	142,256	102,655	244,911
2009/2010	146,014	97,974	243,988
2010/2011	148,856	95,152	244,008
2012/2016	808,097	413,558	1,221,655
2017/2021	815,118	292,157	1,107,275
2022/2026	519,783	166,546	686,329
2027/2031	264,257	102,802	367,059
2032/2036	243,120	38,106	281,226
	<u>3,361,052</u>	<u>1,524,760</u>	<u>4,885,812</u>

Governmental Long-Term Debt:

General Obligation Bonds Payable:

During the 1999-2000 year Panguitch City residents approved the issuance of \$618,000 of general obligation bonds to be purchased by Zions Bank at 6.05% over 20 years. They also approved the issuance of \$905,000 of general obligation bonds to be issued to Rural Development at approximately 5.2% over 25 years. These funds were used for the purpose of constructing a multi-purpose civic and equestrian complex and all related improvements pertaining to this project. Panguitch City obtained interim financing for the Rural Development Bonds from Zions Bank in the amount of \$905,000.

The estimated cost of the project was \$1,600,000 and was financed as follows:

Rural Development General Obligation Bonds	905,000
Zions Bank General Obligation Bonds	618,000
Panguitch City's Contribution	<u>77,000</u>
Total	<u>1,600,000</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG TERM DEBT (CONTINUED)

General Obligation Bonds:

During the 2000/2001 year the general obligation bonds of \$618,000 were issued and \$18,000 was paid on the debt. The remaining \$600,000 was retired by Garfield County on November 2, 2001. In addition, the County retired \$145,500 of the Rural Development Bonds leaving a balance for the City to retire of \$744,982. The balance at year end was \$689,880.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/2007	19,887	33,704	53,591
2007/2008	20,832	32,802	53,634
2008/2009	21,821	31,858	53,679
2009/2010	22,858	30,868	53,726
2010/2011	23,943	29,831	53,774
2012/2016	137,896	131,802	269,698
2017/2021	173,908	97,423	271,331
2022/2026	219,326	54,065	273,391
2027/2031	49,409	7,041	56,450
	<u>689,880</u>	<u>449,394</u>	<u>1,139,274</u>

Zions Bank Fire Truck Loan:

The City obtained financing of \$151,000 from Zions Bank during the 2001/2002 fiscal year for the acquisition of a fire truck. Terms of the loan require a payment of \$50,000 in 2003 and annual payments of \$15,006 thereafter including interest at 4.7%. The balance at year end was \$76,900.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/2007	11,391	3,615	15,006
2007/2008	11,927	3,079	15,006
2008/2009	12,487	2,519	15,006
2009/2010	13,074	1,932	15,006
2010/2011	13,689	1,317	15,006
2012/2016	14,332	674	15,006
	<u>76,900</u>	<u>13,136</u>	<u>90,036</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7 - LONG TERM DEBT (CONTINUED)

The following is a statement of changes in Governmental Long-Term Debt:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Zions Bank G. O. Bonds	706,614	-	16,734	689,880
Zions Fire Truck Loan	<u>87,780</u>	<u>-</u>	<u>10,880</u>	<u>76,900</u>
Totals	<u>794,394</u>	<u>-</u>	<u>27,614</u>	<u>766,780</u>

The following is a summary of Governmental Long-Term Debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/2007	31,278	37,319	68,597
2007/2008	32,759	35,881	68,640
2008/2009	34,308	34,377	68,685
2009/2010	35,932	32,800	68,732
2010/2011	37,632	31,148	68,780
2012/2016	152,228	132,476	284,704
2017/2021	173,908	97,423	271,331
2022/2026	219,326	54,065	273,391
2027/2031	<u>49,409</u>	<u>7,041</u>	<u>56,450</u>
Total	<u>766,780</u>	<u>462,530</u>	<u>1,229,310</u>

Compensated Absences:

Compensated absences of Panguitch City represent accrued vacation at June 30, 2006, in the amount of \$19,216. The following is a statement of changes in compensated absences:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Compensated Absences	<u>17,411</u>	<u>1,805</u>	<u>-</u>	<u>19,216</u>

**PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 8 - CLASS "C" ROADS

The following is a statement of receipts and disbursements in Class "C" Roads:

Balance - Beginning of Year	-
Receipts:	
State of Utah	74,691
Interest	<u>1,448</u>
Total Receipts	76,139
Disbursements	<u>(72,139)</u>
Balance - End of Year	<u><u>4,000</u></u>

NOTE 9 - FIRE PROTECTION AGREEMENT

On April 21, 1981, Panguitch City entered into an agreement with Garfield County to provide fire protection for the County. The area of coverage includes all areas within Panguitch City and within the Panguitch Cemetery District. The City has agreed to account to the County annually as to the disposition of the County funds paid by them. For the remainder of the agreement, the City will be paid in accordance with the one mill plan adopted by the Garfield County Commission, but with a minimum annual guarantee of \$6,000.

NOTE 10 - STATE RETIREMENT PLANS

Local Governmental - Cost Sharing:

Plan Description:

Panguitch City contributes to the Local Governmental Noncontributory Retirement Systems cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 10 - STATE RETIREMENT PLANS (CONTINUED)

Funding Policy:

Panguitch City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Panguitch City contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Noncontributory System, \$22,395.96, \$21,303.92 and \$15,786.44. The contributions were equal to the required contributions for each year.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The City is insured for \$2,000,000 combined single limit with a \$500 deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$2,000,000 aggregate each policy period with a \$500 deductible each accident.

Automobile Liability:

The City is insured for automobile bodily injury for \$2,000,000 combined single limit per accident with a \$250 deductible each accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

Property:

All property coverage is insured through a commercial insurance carrier. Buildings and equipment are covered based on appraised value with 80% coinsurance subject to a \$1,000 deductible.

Airport Liability:

The City has airport liability insurance of \$1,000,000 through Old Republic Insurance Company.

Workers Compensation:

This coverage is provided through the Utah Local Government Trust.

The City has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**PANGUITCH CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2005	<u>151,713</u>	<u>151,713</u>	<u>151,713</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	125,000	118,850	131,314	12,464
Prior Years Taxes	10,000	10,000	2,276	(7,724)
General Sales and Use Taxes	169,000	195,000	195,529	529
Telecommunications Tax	-	54,000	53,456	(544)
Resort Tax	125,000	125,000	128,017	3,017
Franchise Taxes	40,000	40,000	32,874	(7,126)
Fee-In-Lieu	<u>18,000</u>	<u>30,000</u>	<u>30,601</u>	<u>601</u>
Total Taxes	<u>487,000</u>	<u>572,850</u>	<u>574,067</u>	<u>1,217</u>
Licenses and Permits	<u>4,500</u>	<u>5,255</u>	<u>5,400</u>	<u>145</u>
Intergovernmental Revenue:				
Class C Road	77,000	77,000	74,691	(2,309)
Federal Grants	-	58,077	-	(58,077)
State Liquor Allotment	3,500	4,500	4,314	(186)
State Grants	146,800	69,500	65,809	(3,691)
County Triple C Contribution	-	80,000	90,921	10,921
County Fire Contract	<u>-</u>	<u>10,011</u>	<u>9,915</u>	<u>(96)</u>
Total Intergovernmental Revenue	<u>227,300</u>	<u>299,088</u>	<u>245,650</u>	<u>(53,438)</u>
Fines	<u>45,000</u>	<u>25,000</u>	<u>25,056</u>	<u>56</u>
Charges for Services:				
Multi Purpose Center	85,000	210,000	210,531	531
Recreation Fees	<u>6,500</u>	<u>10,500</u>	<u>10,423</u>	<u>(77)</u>
Total Charges for Services	<u>91,500</u>	<u>220,500</u>	<u>220,954</u>	<u>454</u>

**PANGUITCH CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Resources (Inflows) Continued:				
Miscellaneous Revenues:				
Interest	9,000	20,000	20,375	375
Rents and Concessions	17,000	21,000	21,849	849
Sale of Real Property	13,000	1,500	1,509	9
Miscellaneous	12,900	59,000	12,455	(46,545)
Total Miscellaneous Revenue	51,900	101,500	56,188	(45,312)
Amounts Available for Appropriation	1,058,913	1,375,906	1,279,028	(96,878)
Charges to Appropriations (Outflows):				
General Government:				
Legislative	16,496	18,496	16,737	1,759
Judicial	10,388	11,388	9,847	1,541
Administration	107,374	125,974	122,414	3,560
Elections	2,500	2,500	2,414	86
Building and Grounds	23,600	23,600	20,542	3,058
Total General Government	160,358	181,958	171,954	10,004
Public Safety:				
Police	103,000	103,000	100,200	2,800
Fire	37,730	78,730	72,152	6,578
Building Inspector	4,650	4,650	4,114	536
Animal Control	1,100	1,100	916	184
Total Public Safety	146,480	187,480	177,382	10,098
Highways and Streets:				
Class C Roads	87,543	77,543	72,139	5,404
Landfill	8,550	8,550	7,849	701

**PANGUITCH CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Culture and Recreation:				
Parks and Recreation	102,600	110,600	108,915	1,685
Multi-Purpose Center	253,972	423,972	420,371	3,601
Library	56,930	61,930	61,710	220
Total Culture and Recreation	<u>413,502</u>	<u>596,502</u>	<u>590,996</u>	<u>5,506</u>
Miscellaneous:				
Airport	12,000	22,000	19,944	2,056
Economic Development	47,250	47,250	43,776	3,474
Bond Principal	31,517	102,910	-	102,910
Total Miscellaneous	<u>90,767</u>	<u>172,160</u>	<u>63,720</u>	<u>108,440</u>
Total Charges to Appropriations	<u>907,200</u>	<u>1,224,193</u>	<u>1,084,040</u>	<u>140,153</u>
Budgetary Fund Balance - June 30, 2006	<u>151,713</u>	<u>151,713</u>	<u>194,988</u>	<u>43,275</u>

**PANGUITCH CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	1,279,028
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(151,713)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>1,127,315</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules.	1,084,040
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>1,084,040</u></u>

(This page contains no information and
is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panguitch City as and for the year ended June 30, 2006, which collectively comprise Panguitch City's basic financial statements and have issued our report thereon dated September 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panguitch City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

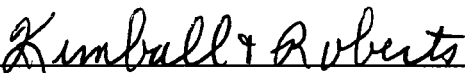
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panguitch City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Panguitch City in a separate letter dated September 7, 2006.

Honorable Mayor and City Council
Panguitch City
Page -2-

This report is intended solely for the information and use of management, City Council and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 7, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panguitch City, for the fiscal year ended June 30, 2006, and have issued our report thereon dated September 7, 2006. As part of our audit, we have audited Panguitch City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Panguitch City's financial statements.)

Fire Grant (Department of Public Safety)
Library Grant (Department of Community and Economic Development)
Playground Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Panguitch City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

Honorable Mayor and City Council
Panguitch City
Page -2-

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Panguitch City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 7, 2006
Richfield, Utah

**PANGUITCH CITY
MANAGEMENT LETTER
JUNE 30, 2006**

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

FINDINGS AND RECOMMENDATIONS

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

During our audit of the funds of Panguitch City for the fiscal year ended June 30, 2006, we noted certain areas needing corrective action in order for the City to be in compliance with state laws and regulations. We also noted circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Treasurer's Bond

State law requires every public treasurer to secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer.

Finding:

We noted in our tests for fidelity bond coverage for the Treasurer that the present fidelity bond was less than the required amount by \$11,000. However, for the following year the fidelity bond is more than the amount required by \$46,000.

Recommendation:

We recommend that the City review the required coverage each year and maintain the required fidelity bond coverage.

Response:

The City will review the required coverage annually to ensure compliance each year.

Justice Courts - Deposits

The 1993 Legislature amended Utah Code Section 51-42-2 to require that all receipts be deposited daily when practicable but not later than three days after receipt.

Finding:

During our tests of deposits from the Justice Court we noted that some of the receipts are not being deposited within three days of receipt as required by State Law.

Recommendation:

We recommend that all receipts in the Justice Court be deposited within three days of receipt as required by State Law.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

INTERNAL CONTROL:

Expenditures

Finding:

In the tests of expenditures we noted that a payment was made from a statement, with no invoice attached.

Recommendation:

We recommend that payments be made from invoices and not from a monthly statement.

Response:

The city will only pay from invoices. If a statement is received without an invoice we will endeavor to obtain the invoice before payment is made.

Accounts Receivable

Finding:

Our audit of utility accounts receivable revealed that some accounts were 90 days past due.

Recommendation:

We recommend that the accounts receivable listing be reviewed on a monthly basis and adjusted when necessary.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Accounts Payable

Finding:

During our audit of accounts payable we found that the detail listing of accounts payable did not agree with the general ledger balance.

Honorable Mayor and City Council
Panguitch City
Page -3-

Recommendation:

We recommend that the detail listing of accounts payable by name be reconciled to the general ledger on monthly basis.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Deposits In Transit and Outstanding Checks

Finding:

During our audit of cash we noted that one deposit in transit had been outstanding for several months. We also noted that some outstanding checks listed had a very old date on them.

Recommendation:

We recommend that the City monitor all deposits in transit to make sure that they clear the bank within a day of being deposited.

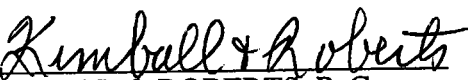
We also recommend that the old outstanding checks be researched and some disposition made of them whether the checks were voided, lost or just not cashed.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Panguitch City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 7, 2006
Richfield, Utah